

LGA response to the Migration Advisory Committee call for evidence into the contribution of European Economic Area (EEA) workers in the UK labour market

26 October 2017



Introduction

Local government is uniquely placed to understand the differing consequences of Brexit on local communities. After all it is in our towns, cities and non-metropolitan areas across the country that the real effects will be felt. This is because local government is responsible for providing and commissioning essential services for its residents ranging from social work and social care to refuse collection and highways maintenance. Councils are often one of the largest employers in a local area. As leaders of place, councils have a unique insight and interest in ensuring the needs of employers in the wider local economy – both large and small – are understood, as well as met.

A key issue for local government is business continuity and the ability to plan for the sustainability of essential public services and that local private and public sector employers have a steady supply of the skills they need to thrive and grow.

Irrespective of Brexit, the UK was already suffering an endemic skills crisis and wide-scale problems over business continuity in public services due to funding uncertainty. Changes in migration policy are not the only policy lever at the disposal of Government in this context. We have an opportunity to do things differently and the LGA has some views on the options which will be set out later.

The LGA remained neutral during the EU referendum campaign but with the decision to leave having been made, we are working with the Government to ensure the interests and needs of places and communities are protected and served by the post-Brexit settlement, and need assurance that local expertise and knowledge will be used to shape any future policy. Councils are getting to grips with the complex implications of Brexit at a local level. Close attention must be paid to these in national policy making. To this end, the LGA is pleased to register key issues in our submission to this inquiry and we look forward to ongoing dialogue with the Government and the Committee.

The proper future management of immigration requires a multi-faceted approach which takes account of the varied effects on industrial sectors and local areas.

Submission

Labour markets are local

Councils, working with local businesses and partners, want to build strong, resilient economies where residents contribute to and benefit from growth. Fundamental to achieving this is a steady supply of skills and jobs. Both as major employers in their own right in a local area and leaders of place, councils are critical to understanding the skills supply of their area and the skills demand of local employers - both large and small - now and in the future to understand what they need to survive and grow.

There are 2.37 million non-UK EU nationals working in the UK¹ which according to 2016 ONS data, equates to around 7% of the UK workforce. Learning and Work Institute analysis for the LGA² reveals that around 740,000 European Economic Area (EEA) nationals work in highly skilled jobs while 454,000 work in low skilled jobs.

Many of our member authorities have highlighted possible shortages of workers in particular industries and sectors post-Brexit. This includes within local government and the wider public sector including social care, and also across local industries. The most commonly cited are agriculture, engineering, tourism, creative and digital, technology and science, health and social care, food, logistics, catering, hospitality, construction, retail and aerospace. What is obvious from discussions with councils up and down the country is that there are considerable local variations so the effects of Brexit will be very different in different places.

We have highlighted a few sectors where strong evidence is already available but we see it as very important for Government to continue to gather detailed evidence.

Construction

We need to build up to 250,000 homes³ a year to keep up with demand. It is an urgent priority for both national and local government. Councils need to be central to this effort, and we have made clear what local government as a sector needs to make this happen⁴. Alongside this, we and the wider construction industry have repeatedly emphasised the need to invest in skills of the construction workforce.

For instance [LGA analysis](#) revealed that skills shortages hold back housebuilding. Recruitment demand increased from 29,050 in 2013, to 44,690 in 2015, but those in construction-related training is declining, with apprenticeships falling by 58 per cent since 2012/13. CITB estimates that of the total construction workforce of 2.1 million, currently around 8.7 per cent (or some 182,000) are from EU countries⁵. So while the construction workforce is still largely UK nationals, migrants play a critical role, particularly in London where they make up half the workforce, and in the South East. A recent Federation of Master Builders Survey (September 2017)⁶ reveals that over the next three years, as Brexit becomes a reality, half of SME house builders believe the skills shortage will be a barrier to growth, with over a third of SME house builders currently employing EU workers, rising to 70 per cent in London and the South East.

¹ ONS, 2017. UK and non-UK people in the labour market: August 2017 [here](#)

² Learning and Work analysis for Work Local, LGA, July 2017

³ BBC [website](#)

⁴ [Building our homes, communities and future, LGA](#)

⁵ CIT website [here](#)

⁶ <https://www.fmb.org.uk/media/35090/fmb-house-builders-survey-2017.pdf>

Tourism

Elsewhere, VisitBritain reveals that three million people across the UK are employed in jobs linked to tourism.⁷ The UK hospitality sector is highly reliant on EU nationals, with between 12.3% and 23.7% of the sector's workforce made up of EU migrants. KPMG estimates that the hospitality sector currently requires 62,000 EU migrants per annum to be able to maintain current activities and to grow.⁸

Social Care

Social care is one of the sectors most vulnerable to migration rules changes because a significant proportion of the workforce are not UK nationals. It is a largely commissioned service with relatively few direct local government employees. As the main commissioners of services, councils have a strong interest in ensuring workforce stability as a key factor in good quality social care provision. With regards data on the numbers employed in social care provision, the LGA relies on the Skills for Care national data set.

The LGA is an associate of the Cavendish Coalition, a group of health and care employer bodies examining the effects of Brexit in the NHS and social care. The Coalition has commissioned a major piece of research from the National Institute of Economic and Social Research (NIESR) to complete early next year which we believe will make a major contribution to the debate on a stable future for public services. An early message is that EU nationals make up 7 per cent of the social care workforce and any changes will have significant consequences. Importantly there are variations according to place ranging from 12 per cent of the workforce in London to 2 per cent of the workforce in the north east, emphasising the differential impact of Brexit on places, which confirms our discussions with councils.

In determining any future migration policy, it is imperative to understand future demand for the social care sector. Analysis by the former Centre for Work Force Intelligence⁹ (CfWI) and information from Skills for Care¹⁰, suggests that, even without considering the impact of a UK withdrawal from the EU, there is a real risk that it will not be possible to recruit the additional paid workforce needed to keep pace with demand.

In the adult social care workforce in England, there were approximately 1.11 million¹¹ full time equivalent paid social care workforce jobs in England in 2015 and according to the last England and Wales census, 5.4 million unpaid carers providing informal care on a part or full time basis in 2011¹². If current population trends continue, and with no changes to delivery models in adult social care, the workforce will need to grow from 1.11 million to almost 1.83 million to meet the growth in adult social care demand by 2025¹³.

⁷ Visit Britain [website](#)

⁸ [Labour Migration in the hospitality sector](#), British Hospitality Association, March 2017

⁹ Centre for Workforce Intelligence, 2016, *Forecasting the adult social care workforce to 2035: Workforce intelligence report*; <http://www.cfwi.org.uk/publications/forecasting-the-adult-social-care-workforce-to-2035-workforce-intelligence-report>

¹⁰ Skills for Care, September 2016, The State of the adult social care workforce in England, <https://www.nmds-sc-online.org.uk/Get.aspx?id=980099>

¹¹ Skills for Care, September 2016, The State of the adult social care workforce in England, <https://www.nmds-sc-online.org.uk/Get.aspx?id=980099>

¹² Office for National Statistics (ONS), 2013, 2011 Census analysis: Unpaid care in England and Wales, 2011 and comparison with 2001, <http://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthcaresystem/articles/2011censusanalysisunpaidcareinenglandandwales2011andcomparisonwith2001-2013-02-15>

¹³ Skills for Care, September 2016, The State of the adult social care workforce in England, <https://www.nmds-sc-online.org.uk/Get.aspx?id=980099>

The calculations in Independent Age's report '*Brexit and the future of migrants in the social care workforce*'¹⁴, which modelled the impact on the adult social care workforce of various migration scenarios, are very concerning. They have concluded that with a low-migration scenario, there will be a social care workforce gap of more than 750,000 people by 2037, and even in a scenario where there is a high level of migration, and the care sector becomes more attractive to workers, the social care workforce gap will be as big as 350,000 people by 2037.

Direct employment in local government

Local government is often one of the largest employers in a local area, employing around 1.6 million people (ONS quarterly public sector employment survey)¹⁵ in around 800 distinct occupations overall and commissions services provided by several hundred thousand more people. Many councils and their providers employ non-UK EU nationals in a variety of roles from low-skilled to specialist. As employers in their own right, councils are known to employ EU nationals at all levels of their workforces from low-skilled to professional roles. Some have concerns about future restrictions on their ability to recruit properly qualified professional staff in disciplines such as social work.

In an attempt to get a clearer picture of how many EU nationals are directly employed in local government, the LGA undertook analysis of available national data sets. However various shortcomings in national data mean it is not possible to give accurate estimates. For instance, the ONS Labour Force Survey, which surveys over 50,000 households to ascertain the number of people with jobs, details of these jobs, job-search activities of those without work, and similar, was for the purposes of our research both unreliable and insufficient. This is because it heavily overstates the size of the workforce (2.8 million in England and Wales – see Annex A) because people often wrongly categorise their employment as working in local government and it does not provide a sufficient breakdown by all nationalities, or occupational level.

So from mid-2016, the LGA sought to establish informally whether or not solid data on the number of EEA nationals in direct local government employment are readily available. We determined that few councils have full local data sets because there is no requirement to do so. Most have a nationality marker on personnel records but it is usually voluntary and most employees leave it blank.

A small sample of councils (around 60) was able to provide some information on numbers of EEA nationals in full, part-time and casual employment. The average across the sample was about 19 per council with a range from 0 to 225. However the sample is too small to be of use in talking about differences by region and authority type. Importantly, no data were available in London which is likely to have the greatest number of EEA nationals.

Case studies

Many areas are starting to gather evidence at the potential impact on the local government workforce as well as employers within their local area, and would welcome the opportunity to engage with the committee in coming months. Some have been able to provide us with snapshots of early analysis.

¹⁴ Independent Age, 2016, *Brexit and the future of migrants in the social care workforce*, <https://www.independentage.org/policy-research/research-reports/moved-to-care-impact-of-migration-on-adult-social-care-workforce>

¹⁵ <https://www.local.gov.uk/sites/default/files/documents/qpses-2016-q1-summary-pdf-e27.pdf>

Buckinghamshire¹⁶

Buckinghamshire County Council and LEP undertook analysis on non-UK EEA / Swiss nationals' contribution to the workforce within the council and wider local economy.

- *Of the local government workforce, 3 per cent or 114 people are EEA / Swiss nationals. Of those, the highest proportion are in Children's Services and Adult Social Care with their contribution making up 7.6 per cent of social worker related jobs.*

This analysis will enable Buckinghamshire to identify what gaps and shortages might emerge once Brexit negotiations conclude. For instance a reduction of EEA workers may have an impact on permanent/fix term council recruitment in specialist and hard to fill areas such as Maths/Science Teachers and Qualified Social Workers. This may require them to look further afield for these staff - Canada, Australia, South Africa - where there are fewer language issues and similarities in training for these types of staff, or increase the number of agency workers which may push up costs for agency workers/temporary staff.

Using 2011 Census commissioned data, it also measured non-UK EU nationals' contribution to the wider local economy, recognising figures will have increased since 2011

- *the food & beverage service industry employs the highest proportion in its workforce (12.42 per cent) with 1,110 EU nationals out of 8,937.*
- *The second highest proportion is employed in the retail trade - 907 EU nationals out of 22,518 (4.03% per cent), followed by the construction sector employing 892 EU nationals out of 18,225 (4.89 per cent), education with 798 EU nationals out of 23,702 (3.37 per cent) and Human Health Activities with 647 EU nationals out of 13,129 (4.93 per cent).*

EU migration has significantly increased in Buckinghamshire since 2011. DWP recorded 14,801 National Insurance registrations by EU nationals between 1 January 2012 and 31 December 2016, and although data are scarce, anecdotal evidence suggest that work patterns have changed significantly since 2011, with an increase in EU nationals in the Hospitality, Construction, Health, and Social Care sectors. For example, according to Skill for Care's nmms-sc data, 12 per cent of the adult social care workforce in Buckinghamshire is made up of EEA nationals, although it should be noted that there are significant data quality issues, with nationality data not known for 17.1 per cent of entries.

Greater Manchester¹⁷

Greater Manchester industries which currently appear to be most vulnerable to potential changes in migration policy as a result of the UK's decision to leave the EU have been identified as:

- *Distribution, Hotels, and Restaurants (10 per cent, or 25,700 workers);*
- *Banking, Finance, and Insurance, (7 per cent, or 13,700 workers);*
- *Public Admin, Education, and Health (3 per cent, or 11,600 workers);*
- *Manufacturing (11 per cent, or 13,400 workers); and*
- *Agriculture, Forestry, and Fishing (14 per cent or 400 workers)*

¹⁶ Analysis from Buckinghamshire County Council to the LGA, October 2017

¹⁷ Analysis from Greater Manchester Combined Authority to the LGA, October 2017

Lincolnshire¹⁸

The UKCES Working Futures forecasts suggest that between 2014 and 2024 there will be a requirement of 207,000 jobs in Lincolnshire which includes 38,000 jobs in wholesale and retail, 27,000 in health and social care, 20,000 in support services, 18,000 in construction and 16,000 in accommodation and food. The 207,000 is largely as a result of retirements but also some natural growth within sectors. In terms of replacement supply of labour over this period, based on population projections, they anticipate 111,000 people to come into the labour market in this time, leaving a gap in the workforce of around 125,000 people. The estimated non-UK born population in Lincolnshire is currently around 75,000. Based on projections of Census data, around 50,000 of the 75,000 non-UK born resident population in Lincolnshire is from the EEA.

North Yorkshire¹⁹

In North Yorkshire the types of businesses which employ EU workers are within manufacturing (particularly Selby), agriculture, hospitality and social care sectors. Typically these are businesses who are already struggling to recruit due to a shortage of workers within the area and are likely to find things get worse with less reliance on EU migration.

A national skills system that doesn't work for local areas

Notwithstanding Brexit and the potential reduced reliance on EU workers, we face a range of skills challenges which are a symptom of a centrally controlled skills system. This affects both people and places, including large numbers of adults with poor basic skills and capabilities; shortages of higher skilled technical and vocational workers; geographical differences contributing to reduced local growth, poor productivity and low pay in many areas.

For instance, nine million people lack literacy and numeracy skills, 13 million people lack basic digital skills, 16 per cent of England's workforce – or 5.5 million people – want a job or more hours, more than half of all unemployed do not claim benefits or employment support, and one in ten workers are in insecure employment. 97 per cent of young apprentices study at the same level as their previous qualification which admittedly may give them more work relevant skills but does little to advance their skills or those of the economy. This poor record on low and intermediate skills risks holding back the potential of the UK economy. There is a wide variation in employment and skills rates between and within local areas. Employment rates vary from 62 per cent in parts of Greater Manchester to 89 per cent in parts of the South West, while the proportion of residents with low qualifications ranges from one in three in parts of the West Midlands to one in 17 in parts of London.²⁰

Every place is different with a unique mix of people, jobs, economies and geography. This creates a varied picture with some places at or close to full employment and with skilled workforces, while others are still recovering from recession and facing challenges in employment, pay and productivity.

¹⁸ Analysis from Lincolnshire County Council to the LGA, October 2017

¹⁹ Analysis from North Yorkshire Council to the LGA, October 2017

²⁰ Work Local, LGA, July 2017

Ultimately every area wants the power to match skills supply and demand, so residents can compete for current and future jobs. Yet despite the levers to achieve this being nationally rather than locally controlled, local intelligence on skills is absolutely critical in understanding what the skills levels of an area are, and what skills are needed where and when.

The Essex Evidence Base. In 2013 Essex County Council established the Essex Employment and Skills Board, covering Essex, Southend and Thurrock, and brought together, for the first time, employers, primary and secondary education, further and higher education and employer bodies. Employers were and continue to be at the centre of the board and are the driving force for employment and skills across Essex. Through the federated LEP model the board, supported by Essex County Council, advise and make decisions on funding priorities across the area. Underpinning the Board is an annually refreshed Evidence Base²¹, detailing the economic needs of the area, skill levels, vacancy and job profiles. Crucially, it provides local intelligence that informs policy decisions and enables providers to respond to what employers need. As a direct result of the Evidence Base, two Essex colleges have secured LEP Capital funds to purchase specialist equipment, and build three state of the art training facilities – The STEM Innovation Centre, Braintree and the Advanced Manufacturing and Engineering Centre, Harlow, and Stansted Airport College to serve the skills needs of the aviation sector and related industries. These are examples of how local intelligence, driven by the local authority, in partnership with employers, can secure and improve opportunities for local residents, and support economic growth.

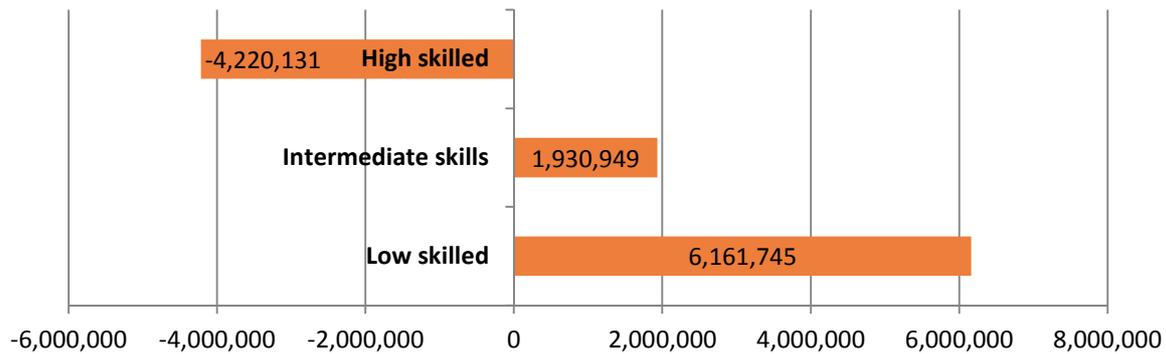
One thing is clear: our skills system has underperformed. Whitehall departments manage different agencies, programmes and funding streams serving different groups of people, boundaries, rules, and eligibility but have no common plan to work together or duty to discuss provision delivered locally with councils. In addition, £10.5 billion of employment and skills funding is commissioned by eight Whitehall departments or agencies across 20 different national schemes. Despite this investment, it fails to make a decisive impact on economic and social challenges across local areas and thus holds areas back. Councils need influence over this policy and funding to be able to match skills supply with skills demand.

Using the latest forecasts of employment and skills needs in 2024 (and forecasts of workforce skills at that point, new research for the LGA by the Learning and Work Institute revealed that by 2024, a growing skills gap will result in 4.2 million too few high skilled people to fill demand, 1.9 million too many intermediate skilled and 6.2 million too many low skilled than there are jobs. Failure to address this puts at risk up to 4 percent of future economic growth – or a loss of £90 billion economic output, while the average worker will be £1,176 a year worse off.²²

²¹ <https://www.essexsb.co.uk/our-research>

²² Work Local, LGA, July 2017

Projected gap between skills needs and population skills levels in 2024



Source: Learning and Work Institute estimates

With a third of all workers being over 50 by 2020, meeting the future needs of the economy means investing in the skills of those in work today – not just in the future of young people. It follows that without action, the current pattern of high employment rates for the low and intermediate skills groups and likely to continue.

Work Local - local government's solution to closing the skills gaps

We need a high performing and well-coordinated employment and skills system which is responsive to the needs of employers and local areas if we are to address skills gaps and shortage by investing adequately in, and targeting retraining and upskilling support of the current workforce and ensuring young people are trained for current and future jobs.

Work Local²³ is the LGA's positive proposal for change. Led by combined authorities and groups of councils, in partnership with local stakeholders, the LGA proposes that Work Local areas will plan, commission and have oversight of a joined-up service bringing together advice and guidance, employment, skills, apprenticeship and business support around place for individuals and employers.

This would be set within a common national framework for devolution of financial control, strategy and delivery, governed by five-year 'local labour market agreements' between central government and each local area. Funding would be devolved through block grants to Combined Authorities and / or groups of councils based on a funding formula, with areas able to set objectives and design responses, and commission and have oversight of provision. The expectation is that the service would be funded through a combination of continued national grants and progressive devolution of funding. Analysis by the L&W reveals that across a medium sized combined authority, Work Local could each year result in 8,500 more people in work, 6,000 people increasing their skills, additional fiscal benefits of £280 million and a benefit to the economy of £420 million.

Starting this year, we recommend practical steps to make our vision a reality and by 2022 (end of this Parliament), piloting Work Local. That means this year requiring central and local government to jointly agree the conditions for devolution and developing one set of employment and skill readiness criteria – a transition from the earned autonomy to full devolution for all areas. It would require initial local influence (2017) followed by the progressive transfer of employment and skills funding and powers by 2020 of the following:

²³ Work Local, LGA, July 2017

- Devolving non-Apprentice Levy funding and loosening restrictions on the Levy
- Enabling local areas to develop and all age careers service
- Devolving the Shared Prosperity Fund (successor to EU funding)
- Local coordination of the skills system (including the adult education budget and the new technical levels)
- Local commissioning of contracted out employment support
- Integrated Jobcentre Plus and council 'one stop' pathfinder in every area
- Growth Hubs devolved to Work Local areas

These are all key elements that need to be brought together to make the skills system more coherent, and more relevant to the need of the local economy. With the forthcoming exit from the EU, limits on EU migration could exacerbate the skills challenges set out above. Local areas need the levers to make their local economies survive and grow. A locally relevant skills system is fundamental to achieving that.

Annex A

The first table shows the main countries of birth of local government employees in England and Wales, and the second table shows the main nationalities.

Country of birth	England	Wales	Total	%of total
England	2,255,334	41,303	2,296,637	83%
Wales	26,597	135,443	162,040	6%
Scotland	37,778	1,280	39,058	1%
Northern Ireland	19,395	571	19,966	1%
Republic of Ireland	15,812	1,305	17,117	1%
India	15,764	0	15,764	1%
Pakistan	8,669	0	8,669	0%
Poland	7,372	0	7,372	0%
UK, Britain (did not know country)	2,036	0	2,036	0%
Other	187,284	2,562	189,846	7%
Total	2,576,041	182,464	2,758,505	100%

Nationality	England	Wales	Total	% of total
UK, British	2,436,581	150,624	2,587,205	94%
Irish Republic	17,444	1,305	18,749	1%
Poland	5,496	0	5,496	0%
India	5,039	0	5,039	0%
Pakistan	877	0	877	0%
Other	111,097	30,535	141,632	5%
Total	2,576,534	182,464	2,758,998	100%